FISCAL NOTE

SB 2590 - HB 2617

January 29, 2008

SUMMARY OF BILL: Creates the Terror-Free Investment Act of 2008. Requires divesture of Tennessee Consolidated Retirement System (TCRS) investments in companies identified as global security risk prohibitive companies by January 1, 2009. Requires the State Treasurer to release a series of requests for proposals (RFPs) to investment managers for the establishment of international actively, or passively, managed equity investment strategies that identify and exclude all global security risk prohibitive companies.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – $4,050,000 / One-Time
$90,000 / Annual Amortized Cost

Other Fiscal Impact - Increase Federal/Other Expenditures:
$1,350,000 / One-Time
$30,000 / Annual Amortized Cost

Assumptions:

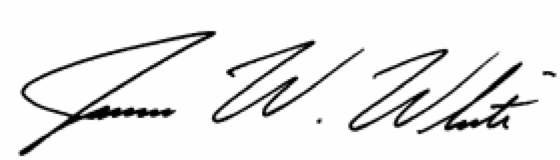
- "Global security risk prohibitive company" means any foreign company, as determined by an independent third-party research firm specializing in global security risk, that has active or current business ties in, or with, any or all of the following countries: Iran, North Korea, Sudan, or Syria.
- The recurring increase for annual computer enhancements, software upgrades, and software licensing renewals is estimated to be $120,000 per year.
- The State Treasurer estimates that 75% of such recurring costs (or $90,000) would be funded with state funds and the remaining 25% (or $30,000) funded with federal/other funds. Such allocations are based on the distribution of a 75%/25% ratio of the cost for a one percent salary increase.
- No additional personnel would be required as a result of this bill.
- The TCRS portfolio contains approximately $32.0 billion in assets.
- The State Treasurer suggests divestment could represent as much as 3.0% of the TCRS portfolio (or $960,000,000 in assets). In addition, the

State Treasurer has indicated that a TCRS custodian has screened for foreign companies with Iranian exposure and has identified a potential $1.8 billion worth of investments that could be subject to divestment; however it was assumed that 40% of this (or $720,000,000) would actually be subject to divestment; the remaining $240,000,000 of estimated exposure is assumed to come from investments in foreign companies with business ties to Sudan and Syria.

- The State Treasurer estimates a one-time divestment cost of $5,400,000 (with approximately $4,400,000 of those costs coming from divestment of securities with foreign companies having business ties with Iran; $500,000 from divestment of securities with foreign companies having business ties with Sudan; $500,000 from divestment of securities with foreign companies having business ties with Syria; and $0 from divestment of securities with foreign companies having business ties with North Korea).
- The State Treasurer estimates that 75% of such one-time costs (or $4,050,000) would be funded with state funds and the remaining 25% (or $1,350,000) funded with federal/other funds. Such allocations are based on the distribution of a 75%/25% ratio of the cost for a one percent salary increase.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc